Public Disclosure Authorized

Public Disclosure Authorized

WPS 1484

POLICY RESEARCH WORKING PAPER 1484

The Uruguay Round and South Asia

An Overview of the Impact and Opportunities

Nader Majd

South Asia remains less liberal in trade policy than East Asia, including China. The Uruguay Round's most dramatic effect on South Asia will be the removal of nontariff barriers on the region's exports to the rest of the world. The proportion of South Asian exports to the OECD under nontariff barrier coverage will be reduced drastically, from 47 percent to only 6 percent.

The World Bank
International Economics Department
International Trade Division
July 1995

Summary findings

Majd examines the impact of the Uruguay Round on four South Asian countries with similar trade structures: Bangladesh, India, Pakistan, and Sri Lanka.

These countries are major exporters of textiles and clothing and some agriculture. Their manufacturing sectors — especially textiles and clothing — would seem to be the main beneficiaries of the Round. The impact on agriculture should be modest.

The Round improves market security for both exporters and importers, but these countries must do much more to adjust their domestic policies to the realities of the post-Round global environment. There must be further liberalization and more integration with both the region and the world.

The trade regimes of the four countries are a mixed bag. All have launched major trade reform away from an inward orientation. They have liberalized trade by removing quantitative restrictions and reducing tariffs, but the degree of liberalization varies.

India has done a lot to open up its economy but has not moved forcefully enough to remove restrictions on most imports of consumer goods. Pakistan retains heavy restrictions of many imports but is reducing tariff rates and their dispersion. Quantitative restrictions on imported inputs impede efficiency in Bangladesh textile and pharmaceutical industries. Sri Lanka's trade regime is the most liberal in the region, but anomalies still exist in incentives.

Binding tariffs in the four countries must be greatly reduced before these countries can benefit from the Round's disciplines in agriculture.

The dismantling of the Multifiber Agreement will increase South Asia's output of textiles by 17 percent, and their exports of textiles by 26 percent. Output on clothing will increase ninefold, and exports more than twentyfold. The region may also benefit from the more liberalized post-Round markets for semi-manufacturing exports.

In general, negotiations about new issues — trade in services, trade-related aspects of intellectual property rights, and trade-related investment measures — will affect South Asia in different ways. The impact on the movement of labor, in which the region has a comparative advantage, seems to be more effective than in other areas. More disciplined rules to protect intellectual property rights and more transparency about investment and competition policies will benefit the region in the longer run.

This paper — a product of the International Trade Division, International Economics Department — is part of a larger effort in the department to monitor and advise on the regional aspects of trade policy. Copies of the paper are available free from the World Bank, 1818 H Street NW, Washington, DC 20433. Please contact Jennifer Ngaine, room R2-052, telephone 202-473-7947, fax 202-676-1341, internet address JNGAINE@WORLDBANK.ORG (44 pages). July 1995.

The Policy Research Working Paper Series disseminates the findings of work in progress to encourage the exchange of ideas about development issues. An objective of the series is to get the findings out quickly, even if the presentations are less than fully polished. The papers carry the names of the authors and should be used and cited accordingly. The findings, interpretations, and conclusions are the authors' own and should not be attributed to the World Bank, its Executive Board of Directors, or any of its member countries.

Produced by the Policy Research Dissemination Center

The Uruguay Round and South Asia
An Overview of the Impact and Opportunities

Nader Majd

International Economics Department

International Trade Division

The World Bank

I am grateful to L. Alan Winters and Will Martin for their overall support. Fruitful discussions with Rui Coutinho, Garry Pursell, Carlos Braga, Pedro Alba, N. Roberto Zagha, Nadaraja Ramchandaran, and Sona Varma have helped forging the present study. Valuable information provided by Azita Amjadi on nontariff barriers is gratefully acknowledged. Comments from Rui Coutinho, Shahrokh Fardoust and Mona Haddad on the earlier draft of the paper have been extremely helpful.

Table of Contents

Introduction

The Uruguay Round Agreement has opened up the opportunity for the developing countries to reap the benefits embedded in international trade, services, investment, and intellectual property rights. With the conclusion of negotiations on April 15, 1994 and the signing of the Final Act in Morocco, the developing countries are likely to receive one-third of the trade-led additional income in ten years. Also, they might be able to benefit from significant increases in trade and investment from the Round.

Direct gains include improved market access, especially in agriculture and textiles and enhanced efficiency resulting from the developing countries' own liberalization programs. Indirect gains may result from more blunt rules for trade and investment, stronger institutions for their enforcement, and greater exposure to global competition within these rules.

Open economies and those with the capacity to adjust are going to benefit more from the Round. While the South Asian countries are expected to gain overall, some may experience erosion of trade preferences and others may lose their market shares, especially in agriculture. The long implementation period of the Agreements could also mean that potential gains are going to be gradual. The least developed countries may face the problem of 'backsliding' as they have the longest implementation period and the lowest level of committed reductions.

The impact of the Uruguay Round on South Asia seems to be substantial despite the fact that presently these countries are not major suppliers to the industrial markets. All the countries in the region will most likely gain from the removal of existing quantitative restraints under the Multifiber Arrangement (MFA) and reduced tariffs on agriculture, albeit gains in agriculture will be relatively more modest than in textiles and clothing.

Nevertheless, the success or failure of each country in the region, and for specific products and services, will depend on the speed of own adjustment to the realities of the post-Round era. It will depend on the country's structure of exports and imports, existing conditions of market access, and supply flexibities. Moreover, the countries in the region need to make the necessary changes in their legislation dealing with customs valuation, intellectual property rights, services, banking, and insurance.

This paper examines broadly the impact of the Uruguay Round on South Asia. It draws heavily on the information available for the World Bank Conference on the Uruguay Round. The paper is limited in scope. As such, it only deals with a sample of four countries: India, Pakistan, Bangladesh, and Sri

Lanka, and focuses on their major exports in agriculture, textiles, and clothing. Some highlights on the commitments made by the region in the areas of trade in services (GATS), in intellectual property rights (TRIPs), and in trade-related investment measures (TRIMs) will also be discussed.

Part II of the paper is devoted to an overview of the protection on South Asia's exports. In Part III, domestic policies are discussed and South Asia's own liberalization and its relevance for the Round is analyzed. Part IV provides the highlights of the Round negotiations and South Asia's commitments, in terms of the most favored nation (MFN) tariff bindings, in agriculture and non-agricultural products. In Part V, the impact of the Uruguay Round on South Asia is assessed. Part VI, gives a brief analysis of the other aspects of the Round such as GATS, TRIPs, and TRIMs. Finally, summary conclusion and policy recommendation are provided in Part VII.

II. Protection Facing South Asian Exports

In 1992, South Asia's total exports were about $30 billion of which 60 percent were directed to the industrial countries. Sri Lanka and Bangladesh channeled more than 80 percent of their total exports to the OECD countries as compared with 58 percent for India and Pakistan.

South Asian exports are more concentrated in manufacturing than in agriculture, albeit the latter sector accounts for more than 25 percent of domestic total output and employs more than half of the labor force. Manufacturing contributes to more than 65 percent of the region's exports. The share of agricultural products in total exports varies from 14 percent for Bangladesh to about 24 percent for Sri Lanka. The corresponding shares for India and Pakistan are around 17 percent and 15 percent, respectively. In addition, some South Asian countries like Pakistan and Bangladesh are among the major food importers. As such, any prospective increase in food prices would adversely affect these two countries unless domestic supplies are adjusted to the external shocks.

It has been argued that the protectionist attitude of the OECD countries prevents full market access by the developing countries to these markets. The empirical studies show that the OECD tariffs and nontariff barriers often discriminate against developing countries (Low and Yeats, 1994). As shown below, and supported by the data, intra-OECD trade seems to be less restrictive than the OECD trade with the developing countries. In this section, I will briefly examine the extent of OECD protectionism against South Asia.

The region faces both tariff and non-tariff barriers on its exports to the industrial countries. For instance, the OECD tariffs on India's total exports average less than one percent in the EC and Japan, and less than 5 percent in the United States. The higher US tariff rates are mostly attributable to the high rates on textiles and clothing. In the United States, the Most-Favored Nation (MFN) tariff rates on textiles range from 16 percent to 20 percent as compared with similar rates in the EC, ranging from 14 to 15 percent (Tang, (1994)). However, industrial countries' tariffs appear not to be very binding and South Asian economies have a long way to go before being able to fully exploit their shares in the industrial countries' markets.

South Asian countries face lower tariffs on their exports to the industrial countries than their competitors such as China or other East Asian countries. However, it will be shown below that industrial countries imports from South Asia are under higher NTB coverage than their comparators.

Unlike other countries, South Asian countries have not been aggressively involved in preferential market access schemes such as the Generalized System of Preferences (GSP) or Special and Differential (S&D) treatment as other countries, e.g., Africa and European Union under the Lome Convention. Except for few recent concessional arrangements with the United States and EU under the MFA, the South Asian countries generally face a wide variety of NTBs[1] against their exports to the industrial countries. Table 1 of Annex II presents the major pre-Round non-tariff barriers (NTBs) on South Asia's exports to the OECD countries.

South Asia's exports are much lower in values, less diversified in products, and more directed to the OECD when compared to exports from China and other East Asian countries. In 1994, exports from South Asia to the OECD countries were a little over $28 billion (with a trade intensity of 63 percent)[2] as compared with more than $430 billion (with a trade intensity of 51 percent) exports from East Asia and about $118 billion (with a trade intensity of 50 percent) from China. In addition, South Asia's exports are more concentrated on few items such as textiles and clothing as compared with the more diversified export base of East Asia.

Prior to the Uruguay Round, almost 30 percent of the South Asian exports to the OECD faced NTBs with the share of Bangladesh being more than 48 percent. The corresponding shares of East Asian and Chinese exports facing the OECD NTBs were around 19 percent and 17 percent, respectively. Almost 39 percent of the South Asia's exports to the EC and 37 percent to the United States were covered by NTBs. On the other hand, the region's exports to Japan were more favorably treated than similar exports from East Asia and China.

In general, the OECD NTBs imposed on the exports from developed countries were much fewer than those on the developing countries, including South Asia, East Asia, and China. Nevertheless, the South Asian countries should not slow down their reform efforts simply because of the industrial countries' existing protection. The newly industrialized countries of East Asia were able to increase their shares of manufacturing exports by more than eightfold between 1965 and 1989, despite the less than ideal climate in industrial countries, and these markets are far from saturated.

Table 2 of Annex II shows the commodity exports from South Asia to the OECD countries subject to the pre-Round NTBs. There are several products for which the NTB coverage is high. A wide

---

[1] For more details on the definition of the NTBs, see Annex I of the present paper.

[2] Trade intensity is measured as the ratio of the region's exports to the OECD to the region's total exports to the world.

range of products such as rice, textiles and clothing have extremely high NTB coverage, ranging from about 53 percent for the textile yarn to as high as 91 percent for clothing. Bangladesh is the only South Asian country facing a low NTB coverage, on roughly 8 percent of its exports of textile yarns to the OECD countries.

Almost 78 percent of the exports of clothing by India and 70 percent by Pakistan were subject to NTBs by the OECD. In the cases of Bangladesh and Sri Lanka, the NTB coverage for clothing was higher than 90 percent of their exports. Also, 31 percent of the manufacturing exports from India is subject to the NTB coverage which is the lowest among the four South Asian countries. Non-tariff barriers cover about 66 percent of the Sri Lankan manufacturing exports to the OECD.

With the exception of rice and animal feedstuffs, other agricultural exports by South Asia do not face severe protection from the OECD countries. Therefore, it seems that opening up of the OECD markets will not change the picture much for the South Asian agriculture, except probably for rice.

The Round may cause some possible short-run erosion in the market access for the South Asian exports of textiles to the OECD. Low cost-producers like China and Vietnam may pose some potential competitive threats to the South Asian exporters. However, the phasing out of the MFA would most likely benefit the South Asian exporters in the long run, provided that these countries adjust their industries to the competitive forces of the global economy.

Pakistan and India have recently been involved in negotiations with the EU and USA to increase their quotas for their exports of textiles and clothing. In return, the two South Asian countries have agreed to remove their existing bans on a whole range of imported products, previously prohibited under the MFA.

For example, in its recent trade pact with the United States, India has made the commitment to gradually end the practice of banning whole categories of imports using a restricted list. Accordingly, the apparel industry should get a boost from lowering barriers for fibers, yarns, and apparel used to make such goods. In exchange for lowering its protection, India was granted ability to export more textiles and apparel to the United States, by an additional 5 percent increase in quotas for a range of hand-loomed made-ups and cotton fabrics. Similarly, Pakistan in its October 1994 trade pact with the United States was able to increase its quotas. Accordingly, the additional annual gain is estimated to be $100-120 million for Pakistan's exports of clothing to the United States for the next ten years.

III. South Asia's Liberalization Policies

South Asian countries have recently embarked on a wide variety of liberalization programs, characterized by removing much of the quantitative restrictions (QRs) on exports and imports, reducing tariff on agricultural products, phasing out of the subsidies on domestic production and exports, and introducing export incentive schemes. The Uruguay Round agreement was reached in the context of this autonomous liberalization.

During the period 1990-94, India reduced the average effective tariff rates on imports from 125 percent to 71 percent and more recently to as low as 33 percent on an import-weighted basis (Tang, (1994)). Similarly, the unweighted nominal protection in Bangladesh was reduced from 89 percent in 1991 to 30 percent in the 1995 budget (Yilmaz and Varma, (1994)). Meanwhile, Pakistan in an agreement with the World Bank and IMF, was able to reduce the all-inclusive maximum tariff rate from 92 percent to 70 percent in July 1994 (World Bank, (1993)). Sri Lanka, enjoying a relatively open trading regime since 1985, further reduced the unweighted average tariff from 35 percent to 25 percent in 1992 (Leidy, 1994).

However, the dispersion of tariffs in these countries generally remains high. The range is from 0 to 72 percent (1994) in Bangladesh, 10 to 250 percent (1994) in Pakistan, 0 to 65 percent in India (1994), and 0 to 250 (1992) percent in Sri Lanka.[3] Moreover, due to the existing protective QRs in the region, some industries have not yet been able to effectively compete in the global market. The textile and pharmaceutical industries in Bangladesh are good examples in this case.

India, while making considerable progress in liberalizing its trade regime since 1991, still maintains quantitative restrictions on its imports and exports. Imports of consumer goods are virtually banned for the balance of payments reasons and some 210 agricultural mineral, and metal items are under export restrictions. Like India, but to a lesser degree, Bangladesh also applies QRs on a number of imported goods. Accordingly, some 40 items, most notably textile imports, are subject to import bans and restrictions. In addition, across the board tariffs in Bangladesh remain high and a number of essential goods such as livestock, fruits, and vegetables, sugar, and edible oils are highly protected with an effective protection rate of above 45 percent (Draper and Varma, 1995).

---

[3] For detailed information on these tariff rates, see Yilmaz and Varma (1994).

A comparison of the current applied tariff rates for the South Asian countries with comparator countries is presented in Table 1 below. In general, all the South Asian countries maintain higher tariff rates (both maximum and average) than their competitors. The selected East Asian countries have lower collection rates than India. Moreover, India's maximum rate of 65 percent is higher than the corresponding rates for Indonesia (60 percent), Philippines (50 percent), and Thailand (60 percent). This clearly shows that her prolonged subscription to "export pessimism" and the pursuance of an inward-oriented development policy have left India among the late-comers in the world competitive market.

Table 1 : Maximum, Average, and Collection Rates for Selected Countries
(Percent)

	Maximum Rate	Average Rate /1/	Collection Rate
India	65 (1994)	33 (1994)	33 (1993)
Pakistan	250 (1994)	50 *(1994)	n.a.
Bangladesh	50 (1994)	25 (1994)	n.a.
Sri Lanka	250 (1992)	22 (1992)	n.a.
Memo Items:			
Indonesia	60(1991)	10(1990)	5(1989)
Korea	30 (1985)	9 (1992)	6 (1990)
Philippines	50(1992)	17(1992)	10(1992)
Thailand	60(1985)	19(1985)	13(1985)

Source: India, Prospects, Rep. No. 12940-IN and Bangladesh, Rep. No 12724-BD, World Bank, 1994
/1/ The average tariffs are import-weighted tariffs except when shown by a (*) in which case they are simple nominal tariff rates.

IV. Agreements Reached under the Uruguay Round

The Uruguay Round Agreement is probably the most ambitious and detailed trade agreement reached in the history of international trade. It is envisaged to provide the basis for enhanced market access by lowering tariffs, by phasing out of the NTBs, and by bringing sectors such as textiles, clothing, and agriculture under 'regular' GATT disciplines. Moreover, the Round negotiations on rules and regulations are foreseen to strengthen the existing GATT provisions in the areas of safeguards, antidumping and countervailing duties, state-trading enterprises, measures taken for balance of payments purposes, customs valuations, and technical barriers to trade. In addition, the Round will foster more effective multilateral disciplines in new issues such as GATS, TRIPS, and TRIMs.

More specifically, the Round agreements encompasses a framework for substantial reduction in NTBs, removal of Voluntary Export Restraints (VERs), bringing textiles and clothing under the GATT rules, conversion of the NTBs in agriculture into tariffs, and improvement in the rules to increase the transparency of protection.

In agriculture, the existing NTBs will be tariffied and bound. Trade-distorting domestic subsidies will be reduced and export subsidies disciplined by the constraints on the value of subsidized exports and the quantity subsidized. The tariffs on agriculture will be reduced on average by 36 percent over a six-year period for the developed countries and by 24 percent over a ten-year period for the developing countries, using 1986-88 protection levels as the base. In addition, the minimum market access conditions (based on tariff-quotas at reduced tariff rates) are to be guaranteed up to 3 or 5 percent of domestic consumption.

In textiles and clothing, all the existing quantitative restrictions under the MFA or other bilateral agreements will be gradually phased out over a ten-year period. The process is backloaded as nearly half of the products will not be liberalized until the tenth year, although an acceleration pace of quota increases will be put in place in the meantime. Special safeguards can be applied to prevent sudden surges of imports.

The Round will provide ample opportunities for South Asia to expand and diversify its exports. At the same time, concessions made by the South Asian countries will help strengthen their own liberalization programs. The following section summarizes the highlights of the concessions given and received under the Round negotiations by the sample South Asian countries.

IV.1. Concessions Received and Given

In India, the most favored nation (MFN) tariffs on most agricultural items have been generally bound at 100%, 150%, or 300%. Negotiations with major trading partners such as the United States, the EU, and Australia led to the setting of MFN tariffs rates on particular agricultural products such as live animals, sugar, fresh cheese and butter, some vegetables, and others to as low as 40 to 10 percent. For some major food staples such as rice (husked, paddy, brown, semi-milled) and grain sorghum, the previously bound rates of zero have been maintained.

Table 3 of Annex II shows the frequency distribution of the bound rates for the Harmonized System (HS) codes agreed under the Round and its impact on agricultural imports for India. The majority of agricultural products (47 percent) fall under bound rates between 100 percent and 150 percent. A considerable portion of the agricultural imports (33 percent) will remain at bound rates between 150 percent to 300 percent, which is above the current applied average tariff rate of 33 percent. Only 4 percent will receive a bound rate of 300 percent.

The bound rates for agricultural imports will be above the pre-Round base rate of duty for 65 percent of the HS codes, below for 34 percent, with one percent showing no change. [4] In the cases where tariff reductions on agricultural products are needed, they will be done in equal annual installments, beginning in January 1995 or 1996 and ending in 2004. These results are shown in Table 4 of Annex II.

Except for fish products (not affected by the Round) and textiles (which fall under the MFA), 80 percent of India's non-agricultural product imports under HS codes are bound at 40 percent and another 19 percent is bound at 25%. Some chemicals such as sodium nitrate are bound at zero and ammonium and potassium sulphate at 5 percent.

The post-Round bound rates are generally set at much lower rates than the pre-Round base rates. The base rates are the rates which were prevalent in 1990. Prior to the Round, bindings were only applied to four percent of the non-agricultural HS codes, with the rates between 5 and 145 percent. The remaining 96 percent were unbound, mostly set at 115 percent with a wide dispersion between zero percent for sodium nitrate and as high as 195 percent for items such as coloring of vegetables.

---

[4] Note that, except for few bound items, the pre-Round base rates of duty are much higher than the current applied rates in India because the former rates pertain to January 1990.

The MFN tariff schedule for products other than agricultural accounts for more than 90 percent of the non-food imports to India. However, the bulk of consumer goods under this category are still protected by quantitative restrictions. In addition, India has opted to maintain the QRs, especially on a wide variety of consumer goods, for the balance of payments reason. The preliminary results of a recent study by Pursell and Sharma (forthcoming) show that, if weighted by production rather than imports, almost 80 percent of India's agricultural products are still under import restrictions, primarily due to the existence of state monopolies. Although considerably reduced in scope, this will have an adverse effect on the country's trade policy reforms.

Pakistan has made the concessions including the phasing out of the MFA, the integration of the textile sector into the GATT, bringing agriculture fully under GATT disciplines, and giving special and preferential treatment to the developing countries. It favored unconditional MFN for trade in services and freer mobility of workers managing the exports in this area.

Prior to the Uruguay Round, Pakistan had only a very small number of tariff bindings. Under the Round, the country agreed to bind all of its tariff lines. Therefore, agricultural products are bound with most bindings at 100 percent, to be effective in 1995. Some major items such as rice, wheat, maize, tea, and sugar are bound at 150 percent whereas others such as wool at 30 percent. Among the agricultural products, areca (betel) nuts are the only products with a binding rate of 200 percent.

For most non-agricultural products a ceiling rate of 50 percent has been agreed, to be reached at in five equal installments, beginning in July 1995. There is one exception related to the MFN tariff rates for textiles and clothing which are scheduled to be reduced in ten equal rates. Under the Round, all the previously unbound rates for non-agricultural products will be bound and brought into the MFN rates of between 20 percent and 50 percent. These bound rates will in general be lower than the base duty rates. Moreover, Pakistan has agreed to remove all the tariff quotas while keeping Preferential Tariffs at minimum. Also, there will be no non-tariff concessions.

Sri Lanka has completed the negotiations for a ceiling binding rate of 50 percent for all agricultural products, except for some food products which are currently under re-negotiations according to Article XXVIII. In addition, the quantitative restrictions such as quotas and non-tariff barriers are to be abandoned. Preferential tariffs are to be kept at minimum. No commitment has been made to limit the scope of export subsidization. In addition, all the unbound non-agricultural products are to be bound at a a ceiling binding rate of 50 percent.

Bangladesh has agreed to introduce a uniform ceiling binding rate of 200 percent on agricultural products by 1995. For a set of non-agricultural products, a 30 percent additional charges will be applied on the top of the agreed MFN bound rate of 50 percent. This way, Bangladesh adopted bindings at much higher levels than the prevailing applied rate for agricultural and some other products. The current average applied rate in Bangladesh is 30 percent. Therefore, Bangladesh not only has lost an excellent opportunity to lock in its own reforms but to a large extent it has gone backward.

Part V. Impact of the Uruguay Round on South Asia

In this section, I briefly examine the impact of Uruguay Round on South Asia, especially in the context of South Asia's major exports in agriculture and textile and clothing. This section draws heavily on results of the studies by Ingco (1995) in the case of MFN tariffs reduction for agriculture and on Martin *et al* (1995) for the impact of the MFA removal on South Asia region. In addition, the results obtained by Low and Yeats (1994) will be used to examine the implications of NTB removal by the OECD on South Asia's exports.

V.1. Post-Round Average Tariff Rates Facing South Asian Exports

Tables 5 to 8 of Annex II present the post-Round average tariff reduction, percentage of exports affected, export-weighted average post-Round tariffs, and the value of exports based on the concessions received by the South Asian countries from OECD and selected developing countries (Finger and Reinke (1995)). The results are summarized in Table 2 below.

Table 2: South Asia- Concessions received on exports: Average percentage reduction, percentage of exports on which tariffs were reduced and export weighted average tariff rates, post - Uruguay Round

Summary Category (1 digit SITC)	*by OECD countries*				*by selected developing countries*			
	export weighted avg. tariff reduction	*% of exports affected*	*export weighted avg. tariff post-UR*	*value of exports ($'000)*	*export weighted avg. tariff reduction*	*% of exports affected*	*export weighted avg. tariff post-UR*	*value of exports ($'000)*
Agriculture _a/ (0+1+2+4-27-28)	2.5	50.6	7.8	2,373,000	7.0	45.8	14.9	1,030,400
Fertilizers, Minerals, Ores, Scrap (27+28)	2.9	1.5	0.1	712,325	14.2	31.7	3.5	249,323
Mineral Fuels etc. (3)	2.2	2.6	0.5	387,810	6.0	0.2	1.6	80,200
Chemicals (5)	4.4	77.2	4.2	295,597	6.2	14.4	8.3	199,090
Basic Manufactures (6)	2.5	58.2	3.4	6,330,000	8.8	16.8	5.5	1,963,000
Machines, Transport Equipment (7)	3.4	83.9	2.1	249,750	9.8	12.4	9.6	264,150
Misc. Manufactured Goods (8)	2.1	92.2	12.4	3,782,000	6.0	26.0	8.2	151,790
Goods not Classified by Kind (9)	2.2	68.2	1.9	1,165	3.4	1.2	1.2	837
All Merchandise Trade	2.3	62.5	6.4	14,134,000	8.5	24.9	8.3	3,941,000

_a/ Includes estimated tariff equivalents of tarrified NTBs, Merlinda Ingco (1995).

Source: M.Finger and U. Reinke (1995).

Table 2 shows that tariff reductions will lower average tariffs by more than 2 percentage points for South Asia's exports to the OECD and 8.5 percentage points on exports to the developing countries. Almost 63 percent or about $9 billion of South Asia's exports will be affected by the OECD's tariff reduction. The region's exports to the OECD will face a post-Round export-weighted average tariff rate of around 6 percent, with the rates ranging from 6 percent for India to as high as around 10 percent for Sri Lanka.

The Round will affect South Asia's exports in different ways, depending on the product groups. For example, the OECD post-Round average tariff rates on South Asian exports will be much lower for fertilizers and mineral fuels than other commodity groups. However, the region's exports are less specialized in these commodities. On the contrary, items such as miscellaneous manufactured goods will face the OECD post-UR average tariff rate of more than 12 percent, the highest among all product groups. The high tariff rate will adversely affect South Asia because 27 percent of the region's exports to the OECD are concentrated on manufactured products.

The post-Round tariff rates for the South Asian exports of agricultural products to the OECD and developing countries will be around 8 percent and 15 percent, respectively. Presently agricultural products only account for 19 percent of the region's total exports. However, given the importance of the sector in terms of output and employment, the South Asian countries should not undermine the prospects in exploiting the market access opportunities created by the Round, especially in the industrial countries.

As mentioned before, South Asia's exports are highly concentrated in textiles and clothing which fall under basic manufactures (SITC 6) of Table 2. These products make up about 45 percent of the region's exports (about $6.3 billion) to the OECD and more than 51 percent of exports (almost $2 billion) to the developing countries. Tariff reductions for textiles and clothing will be 2.5 percent for exports to the OECD and 8.8 percent for the developing countries. Moreover, these reductions will affect more than 58 percent of the region's exports to the OECD and about 17 percent to the developing countries.

The decline in tariffs and hence reduction in the uncertainty of market access will help South Asian economies to expand their exports in the international markets. Moreover, the disciplines embedded in the Round agreements will encourage more adherence to the international trade rules, accelerated trade liberalization, and improved stability in domestic policies. However, tariff reductions may also entail some potential trade dislocation because of the enhanced global competition. The extent to which such preference erosion is significant for South Asia depends on factors such as quantitative limits on the region's preference systems, overall level of preference margins, and the utilization rates because of supply constraints. The historical evidence shows that the South Asian countries have not been among the main beneficiaries of the preference systems in the past[5]. Therefore, the gains from enlarged market access to the South Asian region may be substantial, especially for the countries that have the potential to specialize in products with the highest gains (e.g., textiles and clothing or goods with high income elasticities) from liberalization in the long run.

However, it would be premature to assume that these gains will be automatic. Much remains to be done by the region to take advantage of the post-Round market opportunities. In that regard, the degree of openness of the South Asian economies would play a significant role in possible gains from the Round because all tariffs are a tax on exports and many countries in the region rely on imported inputs to upgrade their industries. Therefore, the concessions given by the South Asian countries under the Round would be equally important in this equation.

Unfortunately, at the time this study was prepared, the information on the concessions given under the Round was available only for the two countries, India and Sri Lanka, which had contributed data to the WTO's Integrated Data Base. Tables 9.a and 9.b of Annex II show the extent of the post-Round tariff bindings for India. More than 57 percent of India's imports from the world will be subject to the post-Round bindings. The corresponding percentage from industrialized countries will be more than 64 percent as compared with around 48 percent of imports from the developing countries. Except for imports of mineral fuels and other goods not classified by kind, all other product categories, regardless of origins, have high percentages of bindings. For example, more than 93 percent of India's machinery and transport equipment imports from the developing countries will be subject to bound tariffs. However, the bindings are important sources of discipline on tariffs in future by preventing an escalation of the rates beyond the agreed bound rates.

By comparison, Tables 10.a and 10.b of Annex II show that only 27 percent of Sri Lanka's imports from the world will be GATT-bound. Meanwhile, 22 percent of Sri Lanka's imports from the industrialized countries and 32 percent from the developing countries will be subject to bindings. Unlike India, only 2 percent of the Sri Lankan imports of basic manufactures are subject to bindings. However, Sri Lanka chose to bind more than 95 percent of its imports in agriculture under the Round.

Tables 9.b and 10.b of Annex II present the extent to which Indian and Sri Lankan tariff bindings were set above applied rates. In India, more than 16 percent of imports have been bound above the applied rates against 19 percent for Sri Lanka. Such high bindings lead to some liberalization by

---

[5] A group of developing countries, most notably members of the Lome Convention, Caribbean Basin Initiative (CBI) and the Mediterranean Agreements, have been able to capture approximately 80 percent of the benefits derived from trade preferences.

ruling out future increases in tariff rates. However, the liberalizing impact is less than would be the case with binding below the initial applied rates.

The weighted average post-Round tariff rate for India is about 36 percent which is higher than the similar rate of 29 percent for Sri Lanka. The average post-Round tariff levels for non-mineral fuels range from 17 percent to as high as 99 percent for India and from about 6 percent to 41 percent for Sri Lanka.

India has made a big effort to reduce tariffs in agriculture. The average import-weighed post-Round tariff level for agriculture will be around 22 percent for both India and Sri Lanka. However, the percentages of agricultural imports subject to tariff cuts under the Round have been 48 percent for India as compared with 37 percent for Sri Lanka.

The impact of the Uruguay Round on agriculture has recently been studied by Ingco (1995). She compares the pre-Round average nominal protection rates with the post-Round base and final binding for selected agricultural commodities. Table 3 below shows this comparison for the major group of countries. The nominal protection rates shown are the actual rates which prevailed in 1986-88. The Table shows that India has set the GATT-bound rates for rice and coarse grains at zero, which are lower than the pre-Round nominal rates of about 3 percent and 16 percent, respectively. Pakistan and Bangladesh, on the contrary, have bound the UR rates at higher levels. Pakistan's GATT-bound rates for wheat and coarse grains have also been bound at higher rates than the NPRs for these commodities.

Among the South Asian countries, Bangladesh will have the highest post-Round bound rates. Sri Lanka has bound the rates for selected agricultural products at 66 percent which is the lowest within the South Asian group. Except for wheat, India's post-Round binding rates for the selected commodities are below 100 percent. For all other agricultural commodities, India has bound tariff rates at prohibitive levels. Pakistan's bound rates are above 100 percent for the selected commodities which are very high.

Based on the limited information available, it is clear that Pakistan and Bangladesh have opted to bind the rates for major agricultural products at a higher level than their rates applied in 1986-88. On the contrary, India and Sri Lanka have bound their rates for similar products at lower rates than the prevailing NPRs. Therefore, the latter two countries may fare better in the post-round environment given their more liberalized stance *vis-à-vis* imports of major food grains.

Table 3: Nominal Protection and GATT-Bound Rates for Selected Countries by Types of Agricultural Products (percent)

	India	Pakistan	Bangladesh	Sri Lanka
Rice				
NPR	-10.0	4.3	45.0	8.8
UR-Base	0.0	100.0	200.0	66.0
Sugar				
NPR				
UR-Base	60.0	150.0	200.0	66.0
Dairy				
NPR				
UR-Base	44.8	100.0	200.0	66.0
Wheat				
NPR	-5.7	-21.4		
UR Base	100.0	150.0	200.0	
Coarse Grains				
NPR /1/	15.8			
UR-Base	0.0	145.0	200.0	66.0

Sources: Merlinda Ingco (1994) and Gulati and Pursell (1995).
/1/ India's NPRs for sorghum and maize were estimated at 82 percent and 34 percent, respectively, which are much higher than the average NPR of 15.8 percent.

V.2. Removal Of Nontariff Barriers under the Multifiber Arrangement

The Round provides a framework for the reduction of NTBs. In textiles and clothing, the exiting quantitative restrictions under the Multifiber Arrangement (MFA) or under other bilateral agreements will be removed over a ten year period. The process will be backloaded because half of the products will be liberalized during the tenth year.

The results of the Uruguay Round for the developing countries' exports of textiles and clothing have been studied recently by Hertel *et al* (1994). The authors use the simulation results of a global general equilibrium model to examine the ramifications of the removal of non-tariff barriers and tariff reduction as well as abolition of the MFA by all the countries under the Uruguay Round package.

The estimated welfare gains or losses, due to the abolition of MFA quotas and other changes in protection rates, are derived by formulating the model to capture the results of four experiments: (a) elimination of MFA quotas with non-MFA distortions in place, (b) reduction in tariffs on MFA goods alone, (c) non-MFA reforms, and (d) implementaion of the comprehensive Uruguay Round package.

Table 4 below presents the model simulation results for the MFA phase-out under scenario (d) above and its impact on South Asia and comparable countries. It shows that South Asia's output and exports of textiles and clothing are going to be dramatically affected by the Round. In textiles, South Asia's output will be increased by about 17 percent and exports by 26 percent. In clothing, the effects are much higher as the output and exports will increase by respectively 91 percent and 254 percent from the MFA removal. These changes are relatively higher than most comparators in East Asia. Moreover, the equivalent variation is simulated at more than $2 billion for the region as a result of the post-Round MFA arrangement.

In sum, gains to South Asia from reducing protection under the MFA will be very large because South Asian countries are among the lowest cost producers of apparel and most severely constrained by the MFA. Most likely, South Asia's gains, by being able to increase production and exports, will outweigh the losses from elimination of quota rents.

Table 4: Impact of MFA Removal on South Asia by the Year 2005

	South Asia	NIEs	ASEAN	China
Output	Increase (%)	Increase (%)	Increase (%)	Increase(%)
Textile	12.0	15.5	55.2	8.0
Clothing	51.0	-10.4	143.2	32.0
Exports				
Textile	26.0	29.0	25.6	10.3
Clothing	253.7	-27.4	252.8	130.0
Equivalent Variation (EV)				
($ million)	2020	107	4351	6204

Source: Hertel *et al* (1995)..

V.3. Impact of NTB Removal on South Asia's Exports to OECD

Nontariff barriers keep out imports, frustrate other nations' trading access and nullify trading rights. One of the major achievements of the Uruguay Round in fostering the reciprocity of openness, among others, has been the elimination of many NTBs. The removal of NTBs by the OECD countries will provide ample opportunities for the South Asian countries to expand their exports, especially in manufacturing (see Table 5 below).

The NTB coverage ratio for all exported goods from India will drop from the pre-Round level of more than 29 percent to about 5 percent in the post-Round period. For Pakistan, this will decline from 50 percent to about 7 percent. Among the South Asian countries, Bangladesh faced the highest NTB coverage for its exports to the OECD. The post-Round coverage ratio will be reduced from 58 percent to about 11 percent. [6] The pre-Round ratios for manufacturing are, in general, higher than the coverage ratios for all goods, ranging from about 41 percent for India to as high as 74 percent for Bangladesh.

Also, Table 5 shows that in terms of the pre-Round NTBs, South Asian countries faced higher NTB coverage ratios for their exports to the OECD than their comparable East Asian countries. This may be viewed as primarily reflecting the commodity composition of the South Asian exports rather than explicit discriminatory protectionist measures against the region. India appears to have been the only country with the NTB coverage ratio of more or less the same as East Asia, with the exceptions of Malaysia and Taiwan. However, comparing the post-Round with the pre-Round coverage ratios shows that the South Asian countries will benefit more from the Round than their comparators. The NTB coverage by the OECD countries on South Asian exports will decline relatively much more than on the group of comparators.

---

[6] Note that NTBs are defined as the narrow definition. The definition includes miscellaneous regulations for non-commercial purposes. As such, the ratios are slightly higher than the ones in Table 1 of Annex II which excludes such items.

Table 5: Nontariff Trade Barrier Coverage Ratios for Exports to OECD Countries

	1992 OECD Imports ($million)		Pre-Uruguay Round		Post-Uruguay Round	
	All Goods	Other Manufactures	All Goods	Other Manufactures	All Goods	Other Manufactures
India	13,532	10,551	29.4	40.9	5.1	7.1
Pakistan	3,979	3,512	50.4	59.6	6.9	8.2
Bangladesh	2,060	1,862	58.3	74.1	10.5	13.3
Sri Lanka	2,067	1,710	50.5	67.8	0.9	0.5
Memo Items						
China	70,347	59,169	18.2	23.5	3.3	2.2
Hong Kong	26,367	25,148	34.3	35.3	1.8	1.8
Korea	42,981	39,358	24.0	25.8	10.9	12.3
Malaysia	23,862	16,021	6.5	13.1	0.7	0.9
Philippines	9,496	6,546	20.4	33.1	1.2	1.8
Taiwan	55,335	50,622	12.0	13.1	3.1	3.4
Thailand	22,544	15,011	25.3	21.4	2.2	2.9

Source: P. Low and A. Yeats (1994), Table 4, P.15.

From the above, it is clear that South Asia will be able to take a big advantage of the opportunities created by the Round, especially in the areas of phasing out of the MFA and removal of NTBs. This, however, entails a bold step by the region to complete the liberalization programs already launched by the governments. In a major break with the past, most South Asian governments have recently introduced coherent trade policy reforms by removing much of the QRs on imports and exports, reducing the tariff rates, lowering levels and dispersions of protection, and alleviating much of the anti-export bias. However, the remaining QRs, including those on consumer goods, need to be converted into maximum tariffs which can then be reduced.

In addition, the tariff reductions have led to some anomalies in the incentive regimes, including higher protection for final than intermediate and capital goods. There is still widespread incidence of tariff redundancy for revenue purposes which indicates that the region depends heavily on customs duties as a source of government revenues. The next phase of the reforms in South Asia would need to focus on correcting these vagaries to reduce the adjustment costs while enhancing the region's trade liberalization programs.

Part VI. Other Achievements of the Round

One of the major achievements of the Uruguay Round was the extension of the agreements to include the so-called "new issues" such as trade in services (GATS), trade related intellectual property rights (TRIPs), and trade-related investment measures (TRIMS). A number of factors have stimulated the demand for multilateral disciplines in these areas. Globalization of economic activities, relevance of domestic policies for determining international competitiveness, outward orientation, and the outgrowth of foreign direct investment and the role of transnational corporations in the process of internationalization of services are among few of these major factors.

Although at first glance these "new issues'" seem to be more relevant for the developed than developing countries, the Round disciplines in these areas could eventually benefit all countries. As mentioned below, South Asian countries have been somewhat involved in these negotiations as producers or consumer of services as well as beneficiaries of intellectual property rights and investment. In the remaining part of this section, I will briefly discuss the relevance of these "new issues" for the South Asian region.

VI.1. GATS

International trade in services includes, in addition to transportation and travel, brokerage, communication, non-merchandise insurance, leasing and rental equipment, technical and professional services, as well as income generated by the temporary movement of labor and property income (royalties and license fees related to intellectual property).

The GATS is envisaged to extend rules and disciplines on policies affecting access to services markets. Despite the fact that most developing countries initially opposed the negotiations on GATS, these negotiations gained momentum and gradually became one of the critical bargaining topics for the completion of the Round.

Trade in services has grown dramatically over the last decade. Hoekman and Braga (1994) show that the average annual growth rate of trade in services over the 1980-92 period was 8.3 percent in nominal terms, as compared with 5.5 percent for merchandise trade. As a result, the share of commercial services in global trade grew from 17 percent in 1980 to 22 percent in 1992.

Table 11 of Annex II shows the trade in services for the selected South Asian countries. It shows that since the early 1980s, trade in services in South Asia have increased markedly in nominal terms. The average annual increases range from about 6 percent for India to as high as 9 percent for Pakistan. Much of the growth in commercial services in India has been attributable to the transport and other services than travel, both more than doubled during the period 1980-92.

However, the relative importance of trade in services has declined in South Asia during the 1980s, except in Sri Lanka. Defined in terms of the percentage of services trade in total exports of goods and services, the percentage of services trade in India declined from about 45 percent in 1981 to 28 percent in 1990. Similarly, trade in services decreased relative to total trade in Pakistan and Bangladesh. During the 1980s, most countries in the region were able to increase merchandise exports as a result of improved method in production and changes in trade policies. In Pakistan, for example, the introduction of the new seeds was mainly responsible for a boost in production and exports of cotton, both raw and processed. In India, improvements in export incentive schemes led to greater diversification and expansion of export products. Only in Sri Lanka, did trade in commercial services increase in relation to total exports, from about 29 percent in 1981 to almost 33 percent in 1991 due to increases in freight and merchandise insurance, travel, and other transportation.

An examination of the degree of specialization in services trade in the region shows that India's transport sector has gained importance in commercial services. The share of transport in total commercial services increased from about 16 percent in 1980 to more than 21 percent in 1992.[7] On the other hand, travel, which accounted for more than 50 percent of nonfactor services exports in the early 1980s, declined to about 30 percent in 1992.

Similarly, one can examine the degree of specialization by looking at the other modes of supply of trade in services, e.g., the pattern of foreign direct investment (FDI). FDI has been identified as complementary to trade in services. Hoekman and Braga (1994) argue that as FDI occurs, transactions in long distance services such as communication services, technical advice, as well as movements of service providers like the intra-corporate transferees expand.

Since the early 1980s, FDI flows have grown dramatically in South Asia. In India, the total FDI increased by a phenomenal average annual growth rate of more than 44 percent, from $8 million in 1981 to $216 million in 1990. In all three other South Asian countries, FDI flows almost doubled in the last decade. A number of factors were responsible for the swift change in the FDI trends. A shift in domestic

---

[7] For information on India's invisibles trade, see World Bank (1994a).

policies from inward to more outward-orientation, privatization or deregulation of some industries, and liberalization of market access in the past ten years appear to have set in motion the phenomenal increase in FDI flows in South Asia.

The GATS affects the region in different ways. It could be viewed as an "anchor" to domestic policies. It could also be used as a mechanism to foster access to efficient services. The liberalization impact of the GATS could also benefit new exporters of domestic services.

The core of the GATS is specific commitments on market access. Therefore, its effects can be proxied by measuring the number of specific commitments that are made by Members in relation to their total possible commitments. Hoekman and Braga (1994) give an excellent account of the principles in making commitments as well as the issues of MFN, market access, and national treatment under the GATs. They assess the degree of restrictiveness by using a quantitative measure and make a cross-country comparison for the impact of the GATS on selected developing countries.

This method will be partially employed below to examine the extent of restrictiveness (openness) in the South Asian countries based of their commitments under the GATS. Table 5 below presents the number of sectors scheduled under the GATS at the mode of supply level. There are 155 activities under the GNS and four modes of supply and thus 620 "opportunities" for making commitments . The GNS classification list falls under 12 broad categories.[8]

Table 5: GATS Members: Number of Sectors Scheduled at the Mode of Supply (Maximum number=620, i.e., 155 activities times 4 modes of supply)

	No. Of Commitments	Percentage of Possible Commitments
India	132	21.3 %
Pakistan	108	17.4 %
Bangladesh	4	0.7 %
Sri Lanka	8	1.29 %
Memo Items:		
China	196	31.6 %
Korea, Rep of.	311	50.2 %
Malaysia	256	41.3 %
Thailand	260	41.9 %
OECD Countries	330	53.3 %

Source: Hoekman and Braga (1994).

[8] See Annex III for these 12 categories of the GNS classification.

The four modes of supply include: (1) cross-border supply of a service (i.e., not requiring the physical movement of supplier or consumer), (2) provision involving movement of the consumer to the country of supplier, (3) services sold in the territory of a Member by (legal) entities that have established a commercial presence there but originate in the territory of another member, and (4) provision of services requiring the temporary movement of *natural* persons. However, the Agreement does not include services supplied in the exercise of government functions.

Table 5 shows that, in terms of the number of specific commitments made under the GATS, India tended to be more forthcoming than other South Asian countries. The ratio of the number of commitments to the total possible commitments is more than 21 percent for India. Bangladesh with the ratio of only 0.7 percent offered the least access of any country. The commitments made by the South Asian countries are much below the commitments made by many other countries of the world, especially by the comparable East Asian Countries.

Except for India and Pakistan, which have made some efforts to lock in their domestic policies in service industries using the GATS "anchor", the other South Asian countries appear to have been less attracted by the potential benefits from the GATS Agreements. Not only could the GATS have been instrumental in enhancing efficient production of services in South Asia, it could also be used as a tool to promote services in the areas where the region has the comparative advantage, i.e., movement of labor, especially by more access to imported services.

Migration flows are widespread in South Asia. Both intra and inter-regional movement of *natural* persons have been phenomenal during the last 20 years or so, especially to and from the oil-rich countries of the Middle East. The South Asian countries could have used the GATS negotiations to liberalize their trade in services delivered by movement of labor. This could have expanded the South Asian potential export-led benefits in the future trade in this area, especially by developing major exports of labor intensive services like accounting because of the fall in the cost of information transmission.

In sum, an assessment of the impact of GATS on South Asia will need more detailed analysis beyond the scope of the present paper. Nonetheless, based on the above discussion, it appears that some South Asian countries will be able to benefit from the GATS commitments, especially those made by other countries. As transparency is enhanced and regulatory regimes tightened, the more service-oriented countries in the region may benefit more from the results of the GATS negotiations. In that respect, the transport, travel, and tourism sectors as well as South Asian domestic producers of services will be among the main beneficiaries of the GATS. In addition, efforts by the developed countries to substantiate the issue of the movement of *natural persons*, by including it in their commitments under the GATS, would be extremely helpful to countries with abundant labor and skills like India and Pakistan.

VI.2. TRIPs

The Agreement on TRIPs sets a higher standard of protection for intellectual property rights on a global scale. The basic idea is to establish rules to protect copyright, trademarks, geographical indications, industrial designs, patents, layout designs of integrated circuits and trade secrets.

The Agreement will bring about significant changes in intellectual property regimes in the developing countries. From the date of filing, there will be an extension of patent protection of products and processes to 20 years for technologies. Also, there will be constraints on compulsory licensing practices as well as in cases of civil litigation. In that case, the proof of burden will lie with the party accused of infringement. The copyright law would protect computer software while producers of sound recordings, films, and software will be given protection under the rental rights.

There is skepticism about the short-term economic impact of the changes under TRIPs on the South Asian countries. The changes may not immediately be welfare enhancing. Many South Asian countries are net importers of knowledge and as such may end up paying higher prices for these protected products before they are able to develop their own R&D and additional foreign investment. However, by adopting the new rules, the region may benefit in the long run both by enhancing access to foreign technology and FDI and by encouraging the development of knowledge-based industries domestically.

Presently, lack of information prevents a firm appraisal of the scope and effectiveness of the TRIPs in the individual South Asian countries. Certainly, there are cases of violation of TRIPs in the region that merit close examination. TRIPs may have market impact in the cases where there exist widespread infringement and violation. One may cite the recent incidence of book piracy in the region. While lowering the cost of access to pirated books, it has driven up the price of legal books and forced some publication houses to withdraw entirely from the market. Similarly, cases for pharmaceutical infringement have been reported. In addition, some industries such as steel making, weaving, and carpet making have suffered from the TRIPs violating cases in the past.

There are some important sectors in South Asian countries that could benefit from more stringent rules set in protection of intellectual property rights. For example, in addition to the copyright enforcement for writers, sectors such as agriculture and biotech sectors would be potential beneficiaries of the TRIPs agreements. Also, franchising which involves proprietary information is another case. There is even potential for the countries in the region to become major developers and exports of software and other similar products.

Countries in the region have been actively involved in institution buildings as well as taking other measures to protect the property rights. The Pakistan Intellectual Property Rights Association (PIPRA) has been formed to watch the incidence of violation of TRIPs. It comprises of a lawyer group with 25-30 members plus assorted businessmen and government officials. The latter includes the directors of the Patent Office and the Trademark Office. There are also some journalists as members of the PIPRA. Pakistan is also a member of the Berne Convention on copyright.

A lot of effort will be required for education and institution building to promote TRIPS in South Asia. Education appears to be useful in informing the officials of the importance of TRIPs and in providing adequate protection. More research in this area is needed, especially to examine the economic cost and benefits of TRIPs.

VI.3. TRIMs

Trade Related Investment Measures (TRIMs) are employed by some developing countries to induce multinational enterprises (MNEs) to meet certain yardsticks of performance. TRIMS refer to measures such as local content requirements, trade balancing requirement, foreign exchange balancing requirements, manufacturing requirements and some other restrictions. They are mostly concentrated in high-tech industries such as automotive, chemical and petrochemical, and computer/informatics in which MNEs have comparative advantage.

Article 9 of the Uruguay Round Agreement calls for a review of the TRIMs Agreement no later than five years after its entry into force. Moreover, provisions on investment policy and competition policy are considered as complements to the TRIMs Agreement. Although limited concrete results were achieved under the Round Agreement, the TRIMs negotiations raised broad questions concerning multilateral disciplines on investment and competition.

Historically, developing countries have tended to adopt policies to control and restrict investment. In the 1980s and early 1990s, they shifted towards more relaxed attitude in their investment policies. Low and Subramanian (1995) cited several factors which have contributed to the reappraisal of the benefits of investment. Among the most important are (1) increased level of the foreign direct investment (FDI) in the last decade, (2) intensification of the global economy through technological advances and changes in corporate behavior and strategies, (3) a new policy environment concerning deregulation, privatization, and liberalization, and (4) the demonstration effect of the Round negotiations which provoked interests in contemplating multilateral disciplines on investment.

While views on the investment policy dimension of the TRIMs seem more favorable, the developing countries are skeptical about their competition policy impact. They claim that "if they liberalized their investment regimes by accepting the constraints on TRIMs, they would be left with no policies to curtail the abuse of market power by multinational enterprises" (Low and Subramanian (1994)). However, there is another school of thought arguing that excluding the competition policy dimension of TRIMs would grant excessive power to the governments in developing countries which would in turn encourage anti-competitive interference and create distortive restrictions.

Despite the debate on the implications of TRIMS for the developing countries in terms of investment and competition policies, the Uruguay Round negotiations specified a timetable for phasing out of the WTO-inconsistent TRIMs.[9] Accordingly, industrial and developing countries are required to phase out the GATT-inconsistent TRIMs, respectively, in two and five years. The least developed countries are given 7 years. The transition period could be extended for the developing and the least developing countries if they face difficulties in eliminating TRIMs. The provision is made that the existing TRIMS are not intensified during the transition period. A special clause permits the imposition of TRIMs on new enterprises during the transition period if deemed necessary in order not to penalize established enterprises already subject to TRIMs. In addition, a TRIMs committee will oversee the implementation of the TRIMs Agreement.

South Asian countries have already introduced a series of liberal policies by opening up foreign investment to a wide variety of manufacturing industries. Some priority sectors have been given automatic approval of foreign investment up to 51 percent equity. In some countries, the 100 percent export-oriented and export processing zones industries are allowed to have 100 percent foreign ownership.

Recently, further measures have been introduced in the region to remove barriers to foreign investment by treating foreign firms at par with domestic companies. The investment rules have been simplified in areas such as repatriation of profits, hiring of foreign managers and technicians, and restriction on domestic borrowings by the foreign firms.

---

9 For an illustrative list of the WTO-inconsistent TRIMs, see Low and Subramanian (1995). Briefly, these are a set of restrictions and requirements imposed by the developing countries on multinational corporations, hampering foreign investment. Among the main requirements are: local content, trade balancing, foreign exchange balancing, export performance, product mandating, domestic sales, technology transfer, licensing, a

The liberalization policy measures adopted in recent years have dramatically increased FDI in many South Asian countries. For example, in India FDI increased from about $216 million in 1990 to $2.8 billion in 1994, an increase of almost ten fold. However, India's FDI is still far below its competitors with high export growth such as China (FDI of $12 billions) and Indonesia ($8.8 billion).

The most effective measure in attracting FDI has been the liberalization of foreign exchange regimes. Presently, in some countries full repatriation is allowed and foreigners are permitted to open accounts and hold certificates in foreign currency. Foreign firms have access to the capital market as foreign investors can issue shares in companies without any permission, except for some special companies.

The Uruguay Round TRIMs Agreement may affect the South Asian countries in terms of investment policy. The Agreement requires the notification of WTO-inconsistent TRIMs, such as local content or trade balancing requirements which are inconsistent with Article III and/or trade and foreign exchange balancing restrictions and domestic sales requirements which constitute quantitative restrictions, within 90 day of the WTO's entry into force.

In some South Asian countries there are still restrictive investment regulations which appear to undermine market contestability and as such are subject to the GATT disciplines relating to the national treatment. For example, in India, there are several duty exemption schemes which have domestic value added requirements. In Bangladesh, there are still incentives to use locally produced inputs. Also, there are duty drawback schemes at flat rates and system of back-to-back letters of credit for exporters in the garment industry which restricts foreign exchange entitlements to 70% of export revenue and value added.

However, as far as the investment and competition policies are concerned, the major problems facing the region are of a different nature from the WTO-inconsistent TRIMs. These problems are inadequate policy framework, ineffective administrative procedures, inadequate infrastructure, and non-competitive labor market. Any improvement in the above areas would be more conducive to the investment climate in the region.

VII. Conclusion and Policy Recommendations

The impact of the Uruguay Round on South Asia appears to be substantial for textiles and clothing but not as much in agriculture. The Round has created the opportunities for the region to use the occasion to lock in, to some degree, the recent reduction in manufacturing sector protection. If taken, market security will be enhanced for both exporters and importers. This appears to gradually expand the region's currently very low integration level both with the world as well and within the region.

In agriculture, the South Asian countries have not been equally successful in locking in their policy advances. Many sectors are taxed rather than subsidized and most countries took the ceiling bindings option on most commodities. In a sense, they have failed to take advantage of the opportunity to rule out future policy excesses. The region will require a great deal of future reduction in tariff bindings before being able to benefit substantially from the Round's discipline in agriculture.

The MFA seems to be the major bargaining chip for South Asia. The region is strongly competitive in the world market and seems likely to become more so by removing trade barriers which will allow the clothing and textile industries to have easier access to the necessary imported inputs. Similarly, imports of machinery and equipment of superior vintage would help bring about the necessary technological change, increase the efficiency of investment, and reduce further the cost of production. All these efforts would be instrumental in helping the region's exports flourish in the post-liberalization situation.

In services, the enhanced transparency and tighter regulatory regimes from the negotiations under the GATS will help South Asia benefit in sectors such transport, travel, and tourism as well as producers of domestic services. The gains appear to be much higher in the area of temporary labor movements in which the region has comparative advantage.

The short-run economic impact of changes due to TRIPs and TRIMs is not as clear as in trade and services for the region. In TRIPs, there is some potential with respect to the R&D in agriculture and biotechnical activities. However, much remains to be done in the areas of education and institution building in South Asia before prospective benefits derived from adequate protection on intellectual property rights materialize. In TRIMs, the efforts should be focused on increasing the market contestability of investment policies for both public and private sectors.

In sum, South Asia has ample opportunity to benefit from the Uruguay Round Agreement. The extent to which the region can use this opportunity to diversify and expand its exports will depend much on the continuation of trade liberalization efforts already launched by the countries in the region. As discussed above, the pace of trade reforms in the region has been remarkable, knowing that with the exception of Sri Lanka, which has a relatively longer history of trade reforms, the all-round intensive liberalization efforts in the region date back only to the late 1980s and early 1990s. It appears that further acceleration of the pace of these reforms will be needed to make South Asia more competitive in the post-Round global market.

References

Dean, J.M, Desai, S, and Riedel, J. (1994) Trade Policy Reform in Developing Countries Since 1985: A Review of the Evidence, World Bank Discussion Paper No. 267, The World Bank.

Finger, M. (1994) Legalized Backsliding: Safeguarding Provisions in the GATT, The World Bank

Finger, M. and Reinke, U. (1995) The Uruguay Round and the Developing Economies: Tariff Concessions Given and Received. The World Bank.

Gulati, A, and Pursell, G. (1995) Trade Policies, Incentives, and resource Allocation In Indian Agriculture, Forthcoming Book Manuscript, The World Bank.

Hertel, T., Martin, W., Yanagishima, K., Dimaranan, B. Liberalizing Manufactures Trade in a Changing World Economy, The World Bank, 1995

Hoekman, B. Braga, C.A.P., (1994) Trade in Services and the Arab Countries, World Bank, Mimeo, 1994.

Ingco, M. (1995) Agricultural Trade Liberalization in the Uruguay Round: One Step Forward, One Step Back?, The World Bank.

Leidy, M. (1994) Characteristics of the Trade Regime in Sri Lanka and Prescription for Further Reform, World Bank, Mimeo, , Washington, D.C.

Low, P. and Subramanian, A. (1995) TRIMs in the Uruguay Round: An Unfinished Business? The World Bank Conference on Uruguay Round, January 1995.

Low, P. and Yeats, A. (1994) Nontariff Measures and Developing Countries Policy Research WP No. 1353, The World Bank, August 1994.

Pursell, G. and Sharma, A. (forthcoming) Indian Trade Policy since the 1991 Reforms, Mimeo, The World Bank, 1995.

Tang, H (1994) India: Issues in trade Reform, Report Number. 13169, Two Volumes. The World Bank, August 2, 1994.

Yilmaz, K. and Varma, S. (1994) Trade Policy Reform in Bangladesh, Working Paper No. 28a, The World Bank, August 31, 1994.

World Bank Publications:

World Bank (1994a), India : Recent Economic Developments and Aspects, Report No. 12940-IN, May 27, 1994.

World Bank (1993), Pakistan: Country Economic Memorandum FY93, Progress under the Adjustment Program, Report No. 11590-PAK, March 23, 1993.

World Bank (1994b), Bangladesh : From Stabilization to Growth, Report No. 12724-BD, March 17, 1994.

Annex I

Data

Trade Pattern (Exports to and Imports from) Origin and Destination by main regions and commodity categories (most recent, 1992)

Countries/Regions:

India
Pakistan
Bangladesh
Sri Lanka

World
OECD:
EU
United States
Japan
Developing Countries
East Asia
China
Others

Commodities: SITC

All Food (0+1+22+04)
Rice (042)
Fish (03)
Fruits and nuts (051-03)
Coffee & Cocoa (071-073)
Tea & Spices (074-075)
Animal Feeding (08)

Petroleum Products (332)
Medicinal Products (54)

Iron Ore (281-282)
Fabrics & Yarn (651-653)
Textile (654-657)
Clothing (84)
Leather (61)
Gems & Jewelry (667-897)
Chemicals (51)

Total Manufactures (5-9 less 68)
All Items (0-9)

Trade Barriers

NTBs

Price Raising Measures: tariff quotas, increased duties, safeguard duties, retaliatory duties, customs surcharges, variable levies and flexible import fees;

Import Price Controls: reference and minimum import prices and VERs;

Quotas and Prohibition: non-automatic and discretionary licensing requirements, bilateral and global quotas, seasonal quotas, and state monopoly of imports;

VERs: orderly marketing arrangements, all restrictions relating to MFA, other textile export restraint agreements, and quotas;

Non-Automatic Licensing: import permit requirements, imports restricted to selected purchasers, permit dependent on the purchase of local goods, others;

Other Measures: prohibition for non commercial purposes, misc. regulations e.g., import certification requirements, and local content import requirements

Annex II. Statistical Tables

Table 1: South Asia's Exports Covered by Nontariff Barriers

	1988 Export Values ($ million)				Share of Exports Covered by NTBs (%)			
	All OECD	EEC	USA	Japan	All OECD	EEC	USA	Japan
South Asia	14,364	5,931	4,719	2,564	29.8	38.9	37.0	0.8
India	9,368	3,642	3,258	1,778	23.1	36.0	22.9	0.8
Pakistan	2,731	1,384	523	554	40.6	50.1	60.3	0.6
Bangladesh	984	417	420	83	48.1	37.1	71.8	0.2
Sri Lanka	1,035	375	445	113	49.1	38.6	78.5	1.1
Memo Items:								
World	1,339,957	392,423	447,468	180,836	12.3	15.7	15.1	9.9
Developed	836,985	219,555	261,214	87,217	10.2	8.8	15.5	16.4
Developing	412,994	152,235	148,553	73,260	17.0	25.3	15.3	4.5
East Asia	161,297	36,596	65,117	44,789	19.1	30.0	24.6	3.7
China	31,771	7,817	11,706	9,825	16.5	23.3	21.4	4.5

Source: World Bank-UNCTAD SMART Data Base.

Table 2: OECD Imports from South Asia and NTBs Coverage Ratios by Commodity Types

Commodity Group (SITC)	India Value(1988) ($ mln)	India Coverage (%)	Pakistan Value(1988) ($ mln)	Pakistan Coverage (%)	Bangladesh Value(1988) ($ mln)	Bangladesh Coverage (%)	Sri Lanka Value(1988) ($ mln)	Sri Lanka Coverage (%)	South Asia Value(1988) ($ mln)	South Asia Coverage (%)
All Products Excl. Fuels (0 to 9-3)	8993	24.1%	2729	40.0%	977	48.4%	1030	49.3%	13975	30.6%
Fuels (3)	375	0.0%	2	3.0%	6	0.0%	5	0.0%	390	0.0%
All Foods (0+1+22+4)	1112	4.7%	187	43.3%	198	1.3%	176	1.1%	1707	8.2%
Rice (042)	40	57.6%	3	62.0%	0		0	54.5%	45	59.2%
Fish (03)	13	10.5%	3	0.7%	5	0.3%	3	0.0%	35	4.1%
Coffee & Cocoa (071-073)	79	0.0%	0	100.0%	0	100.0%	5	0.0%	84	0.1%
Tea & Spices (074-075)	220	0.0%	6	0.0%	4	0.0%	115	0.0%	346	0.0%
Animal Feeding (08)	60	4.6%	11	47.1%	0	0.0%	5	0.0%	80	10.2%
Agricultural Materials (2-22-27-28)	248	1.6%	369	0.1%	18	0.5%	64	0.5%	731	0.7%
Iron Ore (281-282)	503	0.0%	0		0		0		503	0.0%
Manufacturers (5 to 8 -67-68)	6799	30.9%	2162	46.8%	761	61.8%	769	65.7%	10662	38.7%
Chemicals (5)	278	1.3%	7	18.2%	0	0.0%	11	0.2%	297	1.8%
Medicinal Products (54)	21	2.2%	1	2.4%	0	0.0%	0	0.0%	22	2.1%
Leather (61)	468	1.5%	232	1.1%	107	0.0%	2	0.0%	812	1.2%
Textile Yarn (65)	1244	68.7%	1169	52.5%	137	7.6%	30	56.5%	2664	56.1%
Clothing (84)	1573	77.6%	567	69.5%	510	90.1%	534	91.2%	3248	79.9%
Gems & Jewelry (667+897)	2390	0.1%	12	0.1%	0	0.0%	106	0.0%	2518	0.1%
All Products (0-9)	9368	23.1%	2731	40.0%	984	48.1%	1035	49.1%	14364	29.8%

Source: World Bank-UNCTAD SMART Data Base.

Table 3: India - Frequency Distribution of the MFN Bound Rate Agreed under UR (Percent)

Agreed Bound Rates On Agricultural Items (%)	Value of Imports Affected (US $ Million) /2/	Frequency Distribution of HS Codes
0-100	112.0	16.0
100-150	330.0	47.0
150-300	232.0	33.0
300	28.0	4.0

/1/ HSC stands for the harmonized system codes.
/2/ Data pertain to the value of food imports for the year 1992-93.

Table 4: India - Impact of Post-Uruguay Round Agreement on Agricultural Imports (Bound Rates vs Base Duty Rates)

UR Bindings	Value of Imports (US$ millions) /1/	Percent of HS Codes Affected
Above	456.0	65 percent
Below	239.0	34 percent
No Change	7.0	one percent

/1/ Data pertain to the value of food imports for the year 1992-93.

Table 5 **India** Concessions received on exports: Average percentage reduction, percentage of exports on which tariffs were reduced and export weighted average tariff rates, post - Uruguay Round

Summary Category (1 digit SITC)	*by OECD countries*				*by selected developing countries*			
	export weighted avg. tariff reduction	*% of exports affected*	*export weighted avg. tariff post-UR*	*value of exports ($'000)*	*export weighted avg. tariff reduction*	*% of exports affected*	*export weighted avg. tariff post-UR*	*value of exports ($'000)*
Agriculture a/ (0+1+2+4-27-28)	2.1	60.5	10.9	1,360,000	9.3	55.4	17.9	489,000
Fertilizers, Minerals, Ores, Scrap (27+28)	2.9	1.5	0.1	681,000	14.2	31.2	3.3	244,000
Mineral Fuels etc. (3)	2.2	1.5	0.5	375,000	8.6	0.1	1.0	18,200
Chemicals (5)	4.5	79.6	4.2	278,000	5.8	15.6	7.3	177,000
Basic Manufactures (6)	2.5	50.0	2.5	4,470,000	9.0	12.5	4.3	1,180,000
Machines, Transport Equipment (7)	2.6	82.6	2.6	190,000	9.4	12.0	9.5	252,000
Misc. Manufactured Goods (8)	2.2	89.4	11.5	2,020,000	5.6	29.3	8.2	128,000
Goods not Classified by Kind (9)	2.3	70.6	2.0	989	0.0	0.0	0.0	615
All Merchandise Trade	2.4	56.1	5.5	9,370,000	9.5	23.7	7.8	2,490,000

a/ Includes estimated tariff equivalents of tarrified NTBs, Merlinda Ingco (1994).

Source: M.Finger and U. Reinke (1994).

Table 6 **Pakistan** Concessions received on exports: Average percentage reduction, percentage of exports on which tariffs were reduced and export weighted average tariff rates, post - Uruguay Round

Summary Category (1 digit SITC)	*by OECD countries*				*by selected developing countries*			
	export weighted avg. tariff reduction	*% of exports affected*	*export weighted avg. tariff post-UR*	*value of exports ($'000)*	*export weighted avg. tariff reduction*	*% of exports affected*	*export weighted avg. tariff post-UR*	*value of exports ($'000)*
Agriculture _a/ (0+1+2+4-27-28)	3.6	16.3	3.4	556,000	5.1	39.2	11.8	435,000
Fertilizers, Minerals, Ores, Scrap (27+28)	3.4	0.6	0.0	10,600	13.7	68.3	13.2	3,680
Mineral Fuels etc. (3)	2.2	0.0	1.3	2,070	13.3	0.6	3.9	24,600
Chemicals (5)	3.6	70.0	7.3	6,630	11.3	9.9	12.9	6,270
Basic Manufactures (6)	2.2	82.5	6.5	1,430,000	8.9	22.7	7.3	654,000
Machines, Transport Equipment (7)	6.6	87.9	0.4	52,000	7.4	19.0	12.6	3,800
Misc. Manufactured Goods (8)	2.5	90.9	10.8	679,000	7.5	12.5	13.3	10,900
Goods not Classified by Kind (9)	2.8	90.4	2.2	104	13.3	4.7	4.9	212
All Merchandise Trade	2.4	70.8	6.9	2,740,000	6.9	28.5	9.1	1,140,000

_a/ Includes estimated tariff equivalents of tarrified NTBs, Merlinda Ingco (1994).

Source: M.Finger and U. Reinke (1994).

Table 7 **Bangladesh** Concessions received on exports: Average percentage reduction, percentage of exports on which tariffs were reduced and export weighted average tariff rates, post - Uruguay Round

Summary Category (1 digit SITC)	*by OECD countries*				*by selected developing countries*			
	export weighted avg. tariff reduction	*% of exports affected*	*export weighted avg. tariff post-UR*	*value of exports ($'000)*	*export weighted avg. tariff reduction*	*% of exports affected*	*export weighted avg. tariff post-UR*	*value of exports ($'000)*
Agriculture _a/ (0+1+2+4-27-28)	3.5	58.3	4.0	216,000	6.2	33.1	13.6	31,800
Fertilizers, Minerals, Ores, Scrap (27+28)	0.0	0.0	0.0	25	0.0	0.0	0.0	3
Mineral Fuels etc. (3)	1.4	69.7	3.5	6,220	0.0	0.0	0.6	26,700
Chemicals (5)	2.4	95.5	6.0	67	5.3	0.2	12.8	12,800
Basic Manufactures (6)	3.9	63.9	2.9	246,000	6.0	26.0	9.6	85,800
Machines, Transport Equipment (7)	2.3	92.6	2.4	1,440	7.5	6.9	3.0	1,870
Misc. Manufactured Goods (8)	1.4	99.9	15.2	514,000	6.0	3.2	4.3	7,270
Goods not Classified by Kind (9)	0.0	0.0	0.0	70	0.0	0.0	0.0	0
All Merchandise Trade	2.2	81.5	9.6	984,000	6.1	20.0	9.5	166,000

a/ Includes estimated tariff equivalents of tarrified NTBs, Merlinda Ingco (1994).

Source: **M.Finger and U. Reinke (1994).**

Table 8 **Sri Lanka** Concessions received on exports: Average percentage reduction, percentage of exports on which tariffs were reduced and export weighted average tariff rates, post - Uruguay Round

Summary Category (1 digit SITC)	*by OECD countries*				*by selected developing countries*			
	export weighted avg. tariff reduction	*% of exports affected*	*export weighted avg. tariff post-UR*	*value of exports ($'000)*	*export weighted avg. tariff reduction*	*% of exports affected*	*export weighted avg. tariff post-UR*	*value of exports ($'000)*
Agriculture _a/ (0+1+2+4-27-28)	1.1	66.6	4.0	241,000	3.9	27.1	14.2	74,600
Fertilizers, Minerals, Ores, Scrap (27+28)	2.9	0.3	0.0	20,700	15.6	17.0	7.4	1,640
Mineral Fuels etc. (3)	0.0	0.0	0.0	4,520	0.0	0.0	0.0	10,700
Chemicals (5)	2.6	19.9	2.0	10,900	24.8	12.4	40.0	3,020
Basic Manufactures (6)	2.9	61.7	2.2	184,000	8.8	26.4	3.2	43,200
Machines, Transport Equipment (7)	3.0	87.8	1.4	6,310	27.8	26.2	11.6	6,480
Misc. Manufactured Goods (8)	1.8	96.8	15.2	569,000	11.4	6.0	3.6	5,620
Goods not Classified by Kind (9)	2.8	100.0	2.7	2	0.0	0.0	0.0	10
All Merchandise Trade	1.8	80.3	9.7	1,040,000	7.1	23.6	10.3	145,000

_a/ Includes estimated tariff equivalents of tarrified NTBs, Merlinda Ingco (1994).

Source: M.Finger and U. Reinke (1994).

Table 9.a: India **Extent of tariff bindings, post Uruguay Round**

Summary Category (1 digit SITC)	*Percentage of imports that are GATT bound Post Uruguay Round*			*Imports in this product category as a percentage of total imports*		
	From World	*From Developing Countries*	*From Industrialized Countries*	*From World*	*From Developing Countries*	*From Industrialized Countries*
Agriculture _a/ (0+1+2+4-27-28)	81.4	89.5	70.8	13.5	26.1	8.9
Fertilizers, Minerals, Ores, Scrap (27+28)	47.5	74.8	32.2	4.4	5.3	4.3
Mineral Fuels etc. (3)	5.3	0.0	19.0	20.8	35.0	8.7
Chemicals (5)	77.5	69.1	81.6	11.4	12.6	11.6
Basic Manufactures (6)	41.1	42.5	40.8	23.7	15.7	29.0
Machines, Transport Equipment (7)	89.8	93.2	89.6	22.8	4.9	32.5
Misc. Manufactured Goods (8)	87.2	49.8	88.2	3.3	0.3	4.9
Goods not Classified by Kind (9)	1.5	0.0	3.6	0.0	0.1	0.0
All Merchandise Trade	**56.2**	**47.5**	**64.1**	**100.0**	**100.0**	**100.0**

_a/ Includes estimated tariff equivalents of tarrified NTBs, Merlinda Ingco (1994).

Table 9.b: India **Tariff cuts and/or bindings above applied rates at the Uruguay Round**

Summary Category (1 digit SITC)	*Bindings at or above applied rates _b/ (percentage of imports)*	*Tariff cuts _c/ (percentage of imports)*	*Average tariff reduction dT/(1+T)*		*Average tariff level post Uruguay Round*	
			Un-weighted	*Weighted by imports from World*	*Un-weighted*	*Weighted by imports from World*
Agriculture _a/ (0+1+2+4-27-28)	49.7	48	4.7	15.9	51.6	21.5
Fertilizers, Minerals, Ores, Scrap (27+28)	37.1	10.4	12.8	20.8	33.4	16.8
Mineral Fuels etc. (3)	5.1	0.1	1.4	13.3	42.8	99.5
Chemicals (5)	2.9	66.4	19.8	21.8	44.3	40.2
Basic Manufactures (6)	6.6	20.3	14	29.6	64.7	24
Machines, Transport Equipment (7)	16.3	69.6	13.7	16.2	40.1	37.7
Misc. Manufactured Goods (8)	31.8	51.3	7.8	20.6	68	40
Goods not Classified by Kind (9)	0	1.5	11.8	35.3	80	99.1
All Merchandise Trade	**16.1**	**36.9**	**13.4**	**19.3**	**52.6**	**35.7**

_a/ Includes estimated tariff equivalents of tarrified NTBs, Merlinda Ingco (1994).

_b/ Includes all tariff lines in which the Uruguay Round bound rate is above the pre-Uruguay Round applied rate

_c/ Includes all tariff lines in which the Uruguay Round bound rate is less than the pre-Uruguay Round applied rate

Table 10.a: Sri Lanka **Extent of tariff bindings, post Uruguay Round**

Summary Category (1 digit SITC)	*Percentage of imports that are GATT bound Post Uruguay Round*			*Imports in this product category as a percentage of total imports*		
	From World	*From Developing Countries*	*From Industrialized Countries*	*From World*	*From Developing Countries*	*From Industrialized Countries*
Agriculture _a/ (0+1+2+4-27-28)	94.7	96.1	92.2	19.3	28.1	12.5
Fertilizers, Minerals, Ores, Scrap (27+28)	4.2	5.9	3.5	0.3	0.2	0.4
Mineral Fuels etc. (3)	22.8	3.9	78.2	11.3	19.2	5.1
Chemicals (5)	22.5	31.0	17.7	9.3	7.7	10.5
Basic Manufactures (6)	1.6	1.7	1.5	34.3	31.8	36.3
Machines, Transport Equipment (7)	14.0	11.8	14.7	19.4	10.9	26.1
Misc. Manufactured Goods (8)	8.9	15.7	7.7	5.8	2.1	8.8
Goods not Classified by Kind (9)	0.0	0.0	0.0	0.3	0.1	0.4
All Merchandise Trade	**26.7**	**32.3**	**22.4**	**100.0**	**100.0**	**100.0**

_a/ Includes estimated tariff equivalents of tarrified NTBs, Merlinda Ingco (1994)

Table 10.b: Sri Lanka **Tariff cuts and/or bindings above applied rates at the Uruguay Round**

Summary Category (1 digit SITC)	*Bindings at or above applied rates _b/ (percentage of imports)*	*Tariff cuts _c/ (percentage of imports)*	*Average tariff reduction dT/(1+T)*		*Average tariff level post Uruguay Round*	
			Un-weighted	*Weighted by imports from World*	*Un-weighted*	*Weighted by imports from World*
Agriculture _a/ (0+1+2+4-27-28)	57.5	37.1	6.4	10.1	36.5	21.7
Fertilizers, Minerals, Ores, Scrap (27+28)	3.4	0.7	0.1	6.5	12.5	6.2
Mineral Fuels etc. (3)	22.8	0	0	0	23.7	43.1
Chemicals (5)	20.2	2.4	0.4	10.1	16.2	9.5
Basic Manufactures (6)	1.4	0.2	0.1	11	35.6	40.7
Machines, Transport Equipment (7)	13.9	0.1	0.1	15.4	15.6	13.5
Misc. Manufactured Goods (8)	7.2	1.7	0.5	6.5	37.2	39.2
Goods not Classified by Kind (9)	0	0	0	0	5.5	11.1
All Merchandise Trade	**19.2**	**7.6**	**0.9**	**10.1**	**28.3**	**29**

_a/ Includes estimated tariff equivalents of tarrified NTBs, Merlinda Ingco (1994).

_b/ Includes all tariff lines in which the Uruguay Round bound rate is above the pre-Uruguay Round applied rate

_c/ Includes all tariff lines in which the Uruguay Round bound rate is less than the pre-Uruguay Round applied rate

Table 11: Evolution of Trade in Services in SA, 1981-91 /1/

($US millions)

	India			Pakistan			Bangladesh			Sri Lanka		
	1981	1990	%Change	1981	1991	%Change	1981	1991	%Change	1981	1991	%Change
Services												
Crdeit	2797	4624	5.7%	643	1512	8.9%	211	431	7.4%	279	549	7.0%
Debit	3234	6017	7.1%	915	2295	9.6%	464	695	4.1%	359	767	7.9%
Income												
Credit	972	438	-8.5%	111	73	-4.1%	42	70	5.2%	33	105	12.3%
Debit	528	3766	24.4%	377	1256	12.8%	97	167	5.6%	129	285	8.2%
Pvt Unreq. Transfer	2281	2337	0.3%	2195	1797	-2.0%	397	902	8.6%	203	401	7.0%
FDI	8	216	44.2%	108	261	9.2%	0.4	1.4	13.3%	49	100	7.4%
Share of Services												
in Total Trade /2/	44.7%	27.7%		27.6%	25.0%		32.0%	29.7%		29.4%	32.6%	

Source: International Finance Statistics, IMF.

/1/ Changes pertain to the average annual percentage rates.

/2/ Total trade=merchandize exports+commercial services exports.

Annex III. Classification of the GNS List

1. BUSINESS SERVICES

2. COMMUNICATION SERVICES

3. CONSTRUCTION AND RELATED ENGINEERING SERVICES

4. DISTRIBUTION SERVICES

5. EDUCATIONAL SERVICES

6. ENVIRONMENTAL SERVICES

7. FINANCIAL SERVICES

8. HEALTH RELATED AND SOCIAL SERVICES

9. TOURISM AND TRAVEL RELATED SERVICES

10. RECREATIONAL, CULTURAL AND SPORTING SERVICES
    (other than audiovisual services)

11. TRANSPORT SERVICES

12. OTHER SERVICES NOT INCLUDED ELSEWHERE

Policy Research Working Paper Series

	Title	Author	Date	Contact for paper
WPS1464	How Does the North American Free Trade Agreement Affect Central America?	Edward E. Leamer Alfonso Guerra Martin Kaufman Boris Segura	May 1995	S. Vallimont 37791
WPS1465	Post Trade Liberalization Policy and Institutional Challenges in Latin America and the Caribbean	Sarath Rajapatirana	May 1995	J. Troncoso 37826
WPS1466	Ownership and Financing of Infrastructure: Historical Perspectives	Charles D. Jacobson Joel A. Tarr	June 1995	WDR 31393
WPS1467	Beyond the Uruguay Round: The Implications of an Asian Free Trade Area	Jeffrey D. Lewis Sherman Robinson Zhi Wang	June 1995	B. Kim 82477
WPS1468	Government's Role in Pakistan Agriculture: Major Reforms are Needed	Rashid Faruqee	June 1995	C. Anbiah 81275
WPS1469	The Role of Labor Unions in Fostering Economic Development	John Pencavel	June 1995	WDR 31393
WPS1470	Pension Systems and Reforms: Country Experiences and Research Issues	Patricio Arrau Klaus Schmidt-Hebbel	June 1995	E. Khine 37471
WPS1471	Pension Reform and Growth	Giancarlo Corsetti Klaus Schmidt-Hebbel	June 1995	E. Khine 37471
WPS1472	Fiscal and Monetary Contraction in Chile: A Rational-Expectations Approach	Klaus Schmidt-Hebbel Luis Serven	June 1995	E. Khine 37471
WPS1473	The Surge in Capital Inflows to Developing Countries: Prospects and Policy Response	Eduardo Fernandez-Arias Peter J. Montiel	June 1995	R. Vo 33722
WPS1474	Are Stable Agreements for Sharing International River Waters Now Possible?	D. Marc Kilgour Ariel Dinar	June 1995	C. Spooner 32116
WPS1475	Decentralization: The Way Forward for Rural Development?	Andrew N. Parker	June 1995	D. Housden 36637
WPS1476	Public Spending and the Poor: What We Know, What We Need to Know	Dominique van de Walle	June 1995	C. Bernardo 37699
WPS1477	Cities Without Land Markets: Location and Land Use in the Socialist City	Alain Bertaud Bertrand Renaud	June 1995	L. Lewis 30539

Policy Research Working Paper Series

	Title	Author	Date	Contact for paper
WPS1478	Promoting Growth in Sri Lanka: Lessons from East Asia	Sadiq Ahmed Priya Ranjan	June 1995	A. Bhalla 82168
WPS1479	Is There a Commercial Case for Tropical Timber Certification?	Panayotis N. Varangis Rachel Crossley Carlos A. Primo Braga	June 1995	J. Jacobson 33710
WPS1480	Debt as a Control Device in Transitional Economies: The Experiences of Hungary and Poland	Herbert L. Baer Cheryl W. Gray	June 1995	G. Evans 85783
WPS1481	Corporate Control in Central Europe and Russia: Should Banks Own Shares?	Peter Dittus Stephen Prowse	June 1995	G. Evans 85783
WPS1482	A Measure of Stock Market Integration for Developed and Emerging Markets	Robert A. Korajczyk	June 1995	P. Sintim-Aboagye 38526
WPS1483	Costa Rican Pension System: Options for Reform	Asli Demirgüç-Kunt Anita Schwarz	June 1995	P. Sintim-Aboagye 38526
WPS1484	The Uruguay Round and South Asia: An Overview of the Impact and Opportunities	Nader Majd	July 1995	J. Ngaine 37947